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No. 95-

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

CHASE PACKAGING CORPORATION,

Petitioner,

v.

SUPER SACK MANUFACTURING CORPORATION,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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PETITION FOR WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether a plaintiff-patentee can voluntarily withdraw its complaint for patent infringement under Rule 12(b)(1) of the Federal Rules of Civil Procedure after an answer and counterclaim for patent invalidity have been filed, without following the voluntary dismissal requirements provided in Rule 41 of the Federal Rules of Civil Procedure, and whether a counterclaim for invalidity may then be dismissed on the jurisdictional basis that no "case or controversy" exists.

LIST OF PARTIES TO PROCEEDING PURSUANT TO RULES 14.1(B) AND 29.1

Pursuant to Supreme Court Rule 14.1(b), Petitioner Chase Packaging Corporation certifies that the names of all parties to this proceeding appear in the caption of this Petition for Writ of Certiorari.

Pursuant to Supreme Court Rule 29.1, Petitioner Chase Packaging Corporation certifies that Union Camp Corporation, a public company, was the parent company of Petitioner during the relevant period. There are no subsidiaries or other affiliates of Petitioner that have issued shares to the public.

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PETITION FOR WRIT OF CERTIORARI

Petitioner prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Federal Circuit Court entered in this cause on June 15, 1995.

OPINION BELOW

The opinion of the Court of Appeals for the Federal Circuit is reported at 57 F.3d 1054 and is reproduced at 1a-13a. The order dismissing this case issued by the United States District Court for the Northern District of Texas is not reported. It is reproduced in the Appendix at pp. 14a-17a.

JURISDICTION

The Court of Appeals for the Federal Circuit ("Federal Circuit") rendered its opinion on June 15, 1995. A timely petition for rehearing with suggestion for rehearing *in banc* was filed. The Federal Circuit denied the petition for rehearing and

the suggestion for rehearing *in banc* on August 23, 1995. 18a. This Court has jurisdiction to review the judgment by writ of certiorari under 28 U.S.C. Sec. 1254(1).

FEDERAL RULES OF CIVIL PROCEDURE INVOLVED

Rule 12(b)(1) of the Federal Rules of Civil Procedure

" **(b) How Presented**. Every defense, in law or fact, to a claim for relief in any pleading, whether a claim, counterclaim, cross-claim, or third-party claim, shall be asserted in the responsive pleading thereto if one is required, except that the following defenses may at the option of the pleader be made by motion: (1) lack of jurisdiction over the subject matter..."

Rule 41 of the Federal Rules of Civil Procedure

"(a) Voluntary Dismissal: Effect Thereof.

(1) By Plaintiff; by Stipulation. Subject to the provisions of Rule 23(e), of Rule 66, and of any statute of the United States, an action may be dismissed by the plaintiff without order of court (i) by filing a notice of dismissal at any time before service by the adverse party of an answer or of a motion for summary judgment, whichever first occurs, or (ii) by filing a stipulation of dismissal signed by all parties who have appeared in the action. Unless otherwise stated in the notice of dismissal or stipulation, the dismissal is without prejudice, except that a notice of dismissal operates as an adjudication upon the merits when filed by a plaintiff who has once dismissed in any court of the United States or of any state an action based on or including the same claim."

"**(2) By Order of Court**. Except as provided in paragraph (1) of this subdivision of this rule, an action shall not be dismissed at the plaintiff's instance save upon

order of the court and upon such terms and conditions as the court deems proper. If a counterclaim has been pleaded by a defendant prior to the service upon the defendant of the plaintiff's motion to dismiss, the action shall not be dismissed against the defendant's objection unless the counterclaim can remain pending for independent adjudication by the court. Unless otherwise specified in the order, a dismissal under this paragraph is without prejudice."

STATEMENT OF THE CASE

The Respondent, Super Sack Manufacturing Corporation ("Super Sack"), filed the present suit against Petitioner, Chase Packaging Corporation ("Chase"), in August, 1988 in the United States District Court for the Northern District of Texas alleging infringement of only claim 8 of Patent No. 4,143,796 ("796 Patent") and only claim 20 of Patent No. 4,194,652 ("652 Patent"). Chase denied infringement and counterclaimed for invalidity of all claims in both patents,[1] non-infringement, and attorneys fees. Jurisdiction of Chase's counterclaim was based on 28 U.S.C. 1338 and 2201.

After six years of extensive and vigorous litigation (including the setting and cancellation of five separate trial dates, filing of two pretrial orders, filing by Chase of two motions for summary judgment, the handling of the case by three different judges, and many other motions)[2] and upon the eve of trial, Super Sack voluntarily withdrew its complaint for

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[1] The '796 Patent contained nineteen claims and the '652 Patent contained thirty-one claims.

[2] The docket entries contain more than 115 entries.

infringement against Chase. Super Sack then asserted that under Federal Rules of Civil Procedure Rule 12(b)(1)[3] there was no "case or controversy," and that Chase's counterclaim for invalidity should be dismissed.

Super Sack also asserted the '796 and '652 Patents against 18 other defendants in various district courts around the country. In addition, Super Sack filed a case against four respondents before the U.S. International Trade Commission on these patent claims.

In 1992, trial was had on the case that Super Sack filed against Augusta Bag Company[4] in the Southern District of Georgia. The *Augusta Bag* case was tried to the bench in July 1992, and in October 1992, the trial court found the patents-in-suit not infringed and not invalid. The Federal Circuit Court summarily affirmed the trial court's decision in a per curiam order in September 1993. 6 F.3d 786 (Fed.Cir. 1993).

In February 1993, Chase, for the second time, moved for summary judgment for invalidity,[5] non-infringement and unenforceability,[6] of the patents in suit. Chase's motion for

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[3] Hereafter all Federal Rules of Civil Procedure will be designated "Rule ____".

[4] This suit involved the same patents and the same claims here in suit and was filed subsequent to the instant case.

[5] Chase's claim of invalidity includes, among other allegations, that the patents were invalid because of Super Sack's own non-disclosed material prior art.

[6] Chase's claim of unenforceability includes, among other allegations, a) that Super Sack's invention was really the invention of a Japanese company from which they bought product, b) that Super Sack failed to

summary judgment was based for the most part on the rulings in the *Augusta Bag* case, because accused products made by *Chase* and by *Augusta Bag* were virtually identical. The Texas trial court never ruled on said motion for summary judgment.

Because Chase's motion for summary judgment went unruled upon for 17 months and because the ruling of the trial court in the *Augusta Bag* case which was adverse to Super Sack was affirmed on appeal, Chase, on July 1, 1994, filed a motion styled a "Motion Requesting this Court to Order Super Sack to Show Cause as to Why Chase's Motion for Summary Judgment on the Issue of Non-Infringement Should Not Be Granted." ("Show Cause motion") It was a virtual certainty that Chase would be successful on its motion for summary judgment because the rulings in the *Augusta Bag* Federal Circuit ruling made it impossible for Super Sack to make a showing that Chase infringed the patents in suit.[7]

One week after Chase filed its "Show Cause" motion, Super Sack filed a motion withdrawing its complaint for infringement, promising not to sue Chase only for its past and current production products, and then claiming that Chase's counterclaim for invalidity, non-infringement and attorneys fees should be dismissed because there was "no case or

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disclose material prior art including their own prior use of art that was material, and c) that Super Sack gave false discovery answers to Chase.

[7] Chase's motion for summary judgment should have been timely granted. Chase's products were virtually identical to the products found not to infringe in the *Super Sack v. Augusta Bag* case because both Chase and Augusta Bag were licensees under another patent. Super Sack could not have marshalled any contrary evidence and was barred by the doctrine of issue preclusion from arguing otherwise.

controversy." Super Sack based its "case or controversy" argument on Rule 12(b)(1).[8]

Super Sack withdrew its complaint for infringement asserting it no longer desired to pursue its complaint because of economic realities. However, Super Sack in its moving papers did not concede its complaint for infringement against Chase. Further, Super Sack's withdrawal of its claim of infringement against Chase applied only to products (bulk bags) previously or currently manufactured or sold by Chase, not to any product manufactured in the future which were still subject to a future suit. Super Sack also made no promise not to sue Chase's customers. Furthermore, Super Sack never filed a covenant not to sue or an affidavit not to sue or similar document indicating a firm commitment that it would not again sue Chase. Super Sack argued that the District Court was obligated to dismiss the complaint and counterclaim based on lack of subject matter jurisdiction after Super Sack withdrew its complaint for infringement.

Chase objected to Super Sack's motion and argued that Rule 12(b)(1) cannot be used to voluntarily dismiss a complaint or counterclaim. Chase also argued that under Rule 41(a)(2), its counterclaim for invalidity could not be dismissed, and that Chase was entitled to the assessment of "terms and conditions" under Rule 41(a)(2). Chase also objected to the dismissal under Rule 12(b)(1) on the basis that a case or controversy as to validity still existed because the counterclaim for patent invalidity was independent from the claim of infringement.

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[8] Although Super Sack's motion to dismiss was framed in the alternative under Rule 12(b)(1) or Rule 41(a)(2), Super Sack only argued the dismissal under Rule 12(b)(1).

The trial court rejected Chase's arguments and on September 1, 1994, the trial court granted Super Sack's motion and dismissed Chase's counterclaim, with prejudice, as well as the complaint. The trial court's order listed some eighteen separate papers filed on motions then pending, but the court only decided the motion to dismiss and the motion to amend.[9] The trial court entered the following order that provided in pertinent part (Appendix pp. 16a-17a):

> "Plaintiff moves for dismissal of this action for lack of subject matter jurisdiction as Plaintiff no longer desires to pursue its claims for infringement with respect to any bulk bags previously or currently manufactured or sold by Defendant. Further, Plaintiff reports that it has unconditionally promised not to sue Defendant in the future on the patents-in-suit. Therefore, the Court finds that Plaintiff's Rule 12(b)(1) and Rule 41(a)(2) Motion to Dismiss to be [sic, is] proper and should be granted. In the opinion of this Court, Defendant's Motion to Amend its Pleadings in order to amend its pleadings to include the defense of inequitable conduct/unenforceability of Patent No. 4,143,796 and Patent No. 4,194,652 fails to present sufficient evidence that a continuing case or controversy is present necessitating the continuance of this litigation. In the interest of judicial economy, the Court believes that Defendant's motion should be denied."
>
> "In conclusion, the Court ORDERS that:
>
> (1) Defendant's Motion to Amend is [sic] Pleadings be DENIED;
>
> (2) Plaintiff's Motion to dismiss for Lack of Jurisdiction

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[9] Chase had previously filed a motion to amend its counterclaim to add the issue of unenforceability.

or, In The Alternative, Plaintiff's Motion to Dismiss by Order of This Court be GRANTED; and

(3) this case be DISMISSED with prejudice."

Chase appealed from the trial court's Order on September 30, 1994. The appeal was fully briefed and orally argued on May 8, 1995. The Federal Court affirmed the lower court's order and rendered its opinion on June 15, 1995. 1a-13a.

The Federal Circuit in its opinion also rejected Chase's argument that Rule 41 was controlling in the case[10] and that Chase's counterclaim for invalidity was a claim independent[11] of Super Sack's claim of infringement. Chase filed a Petition for Rehearing and Suggestion for Rehearing In Banc on July 11, 1995. The Petition for Rehearing and for Suggestion for Rehearing In Banc were denied by an Order of the Federal Circuit on August 23, 1995.

At this stage, the two patents of Super Sack have been neither invalidated nor found unenforceable and they may still be used to harass others. The complaint has been withdrawn and Super Sack has been allowed to dismiss its complaint without the assessment of "terms and conditions", provided for in Rule 41. Chase's counterclaim for invalidity has been dismissed with prejudice. Chase asserts that this result goes against the Federal Rules, both in letter and spirit, against Supreme Court and Federal Circuit precedent, and against public policy.

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[10] Footnote 2, 6a.

[11] 12a-13a.

REASONS FOR GRANTING THIS PETITION

The Federal Circuit held in this case that a plaintiff-patentee can voluntarily withdraw its complaint for patent infringement after which the plaintiff-patentee need only assert that there is no "case or controversy" and, then, pursuant to Rule 12(b)(1), assert the court's obligation to dismiss the defendant's declaratory judgment counterclaim for invalidity.

Chase argued that Rule 41 is the sole Rule dealing with voluntary dismissals and, that under Rule 41, Chase's counterclaim for invalidity cannot be dismissed. The Federal Circuit ignored Chase's argument that only Rule 41(a)(2) was applicable and so held in *Super Sack Mfg., Corp. v. Chase Packaging, Corp.*, 6a, footnote 2.

The Federal Circuit found the controlling inquiry to be whether a "case or controversy" existed as to Chase's counterclaim for a declaratory judgment of invalidity. In making the inquiry, the Federal Circuit used the two-part "threat of infringement" test set forth in *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975 (Fed.Cir. 1993). The Federal Circuit's opinion in this case ties the issue of validity inextricably to the issue of infringement.

This ruling is contrary to this Court's ruling in *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 113 S.Ct. 1967 (1993). In the *Cardinal* decision, this Court stated that "A party seeking a declaratory judgment of invalidity presents a claim independent of the patentee's charge of infringement." *Id.* at 1975. The Supreme Court also stated that "validity has the greater public importance." *Id.* at 1977.

The Federal Circuit ignored these statements of the Supreme Court and has interpreted the holding of the *Cardinal* case very narrowly. The Federal Circuit held that the *Cardinal* case only applied to the *Federal Circuit's practice* of vacating a judgment of validity after affirming a judgment of non-infringement. 13a.

The Federal Circuit's interpretation that the *Cardinal* holding applies only to the Federal Circuit, will allow plaintiff-patentees to file patent infringement suits and, then, unilaterally withdraw the complaint for infringement under Rule 12(b)(1) in complete avoidance of Rule 41. By such a precedent, the plaintiff-patentee will avoid any risk that a counterclaim for invalidity will ever be tried, as well as avoid any risk of assessment of "terms and conditions" as set forth in Rule 41. Such dismissals will allow counterclaims for invalidity or other counterclaims to be dismissed in a tactical circumvention of Rule 41, contrary to the very reasons for which Rule 41(a)(2) was established.

In such circumstances, unscrupulous plaintiffs can force defendants to spend large sums of money or drive them out of business or force them into bankruptcy with unfounded lawsuits and never suffer any of the downside risks of Rule 41, namely, the trial of counterclaims attacking the patent, or the assessment of "terms and conditions." Moreover, if the suit was based on questionable or invalid patents, such patents will not be invalidated, allowing such patents to be again used as "swords" to harass other defendants. Rule 41 was enacted to preclude situations that the Federal Circuit is now sanctioning.

It is of "great public importance" that the practice of using Rule 12(b)(1) to dismiss cases after issue has been joined and

after a counterclaim has been filed, a practice now sanctioned by the Federal Circuit, be rejected. If Rule 41 is circumvented and Rule 12 is used to dismiss patent cases, the legitimate rights of defendants to have their counterclaims tried and "terms and conditions" assessed, will be foreclosed. A plaintiff-patentee is not going to use Rule 41 to dismiss its case knowing a risk-free procedure under Rule 12(b)(1) is available (avoiding trial of a counterclaim and an assessment of "terms and conditions"). For public policy reasons alone, if not for reasons of fairness and logic, this Court should reject such a practice.

ARGUMENT

I. Voluntary Withdrawal of a Complaint for Infringement and Assertion That There Is No "Case or Controversy" under Rule 12(b)(1) Cannot Be Used to Dismiss a Counterclaim for Invalidity, to Thereby Circumvent the Dismissal Requirements of Rule 41

Super Sack voluntarily withdrew its complaint for infringement and then asserted that under Rule 12(b)(1) there was no "case or controversy", and further argued that Chase's counterclaim for invalidity should be dismissed. Super Sack chose to use Rule 12(b)(1) as the basis for its motion to dismiss because under Rule 12(b)(1) there is no provision for the trial of a counterclaim or the assessment of "terms and conditions" as provided in Rule 41. It is a risk-free procedure for the plaintiff-patentee to abandon a patent infringement action which cannot be proved.

Rule 12(b)(1) is inapplicable in this case; Rule 12 governs "defenses and objections" such as when the court lacks jurisdiction over the subject matter at the outset of litigation or

where the claim is no longer viable without any action on the part of the party originally asserting the claim; for example, in a patent context, the plaintiff files a patent infringement suit seeking an injunction only, and then the patent subsequently expires. In such a circumstance, the "case or controversy" becomes moot with the expiration of the patent. Voluntary dismissals are governed only by Rule 41.

Rule 41(a)(2) was enacted purposely to prevent voluntary dismissals which unfavorably affect the opposing party and to permit the imposition of curative conditions. *Alamance Indus., Inc. v. Filene's,* 291 F.2d 142, 146 (1st Cir. 1961). 9 *Wright & Miller,* "Federal Practice and Procedure," Civil Section 2364, p. 165. Rule 41(a)(2) was enacted to prevent the very procedure Super Sack is now using to get out of this litigation unscathed.

The *only* reason Super Sack can assert that there is no case or controversy is as a result of its *voluntary* withdrawal of its complaint for infringement. But for Super Sack's voluntary withdrawal of its complaint, Super Sack could not now question the trial court's jurisdiction. Super Sack's position in the trial court was that because of its voluntary withdrawal of its complaint for infringement, the trial court was divested of subject matter jurisdiction over Chase's declaratory judgment counterclaim for invalidity. Super Sack was in effect asserting unilateral control over the trial court's jurisdiction through its own voluntary withdrawal of its complaint even though issue had been joined and a counterclaim had been filed. **This procedure is not and cannot be right.**

The only way to withdraw a complaint is under Rule 41.

A party cannot dispense with the trial court's subject matter jurisdiction or with the requirements of Rule 41 by its own voluntary decision to withdraw its complaint, after an answer and counterclaim have been filed. Once issue has been joined by the filing of an answer, and in this case, also a counterclaim for invalidity, the withdrawal of the complaint is governed only by Rule 41.

Rule 41(a)(1) governs voluntary dismissals before an answer has been filed or as a result of settlement or agreement of the parties. Neither of these situations is applicable here. Rule 41(a)(2) governs voluntary dismissals of the type at issue here. Thus, Rule 12(b)(1) is inapplicable and Super Sack may only seek voluntary dismissal of its complaint under Rule 41(a)(2). *American Cyanamid Co. v. McGhee,* 317 F.2d 295, 297 (5th Cir. 1963).

Sanctioning the dismissal of cases under Rule 12(b)(1) will result in an increase in lawsuits based on invalid or questionable patents because the plaintiff will have no risk of being assessed with "terms and conditions" and can avoid trial of counterclaims, both of which are considerations under Rule 41. Thus, patentees can use their patents as "swords," but never have any worry that they will suffer any downside risk from asserting invalid or questionable patents.

This Court should not sanction a procedure whereby the plaintiff-patentee can sue for patent infringement, litigate the matter vigorously, make the defendant spend a fortune in defense and then voluntarily withdraw its infringement complaint and walk away "Scot-free." Such a procedure will be in place if the lower courts are not obligated to follow Rule 41. Rule 41 was enacted to be the only method and should be

the only method of voluntarily dismissing cases after issue has been joined.

II. Under Rule 41(a)(2) Chase's Counterclaim For Invalidity Could Not Have Been Dismissed

The second sentence of Rule 41(a)(2) makes it clear that if a counterclaim has been pleaded by a defendant prior to the service of Plaintiff's motion to dismiss, the complaint "cannot" be dismissed against the defendant's objection "unless" the counterclaims can remain pending for independent adjudication by the court. This sentence also makes it clear that if the counterclaim is not capable of independent adjudication, then the complaint cannot be dismissed.

Chase filed its counterclaim for invalidity over six years prior to the filing of Super Sack's motion to dismiss. Chase also timely objected to Super Sack's motion to dismiss. Thus, its counterclaim could not be dismissed had Rule 41(a)(2) been observed.

Moreover, unless Chase's counterclaim is capable of independent adjudication by the Court, the complaint should not be dismissed. The trial court had the power to dismiss the complaint only if Chase's counterclaims were capable of independent adjudication. *Cardinal* holds that a declaratory judgment for invalidity is an "independent claim." *Cardinal*, 113 S.Ct. at 1975. Thus, it was possible in this case for the complaint to be dismissed, ***but not the counterclaim.*** In this case, however, Chase's counterclaim for invalidity was improperly dismissed.

III. The Federal Circuit Decision Is in Direct Conflict with Supreme Court Precedents

The Federal Circuit failed to appreciate that in *Cardinal* the Supreme Court said that "a party seeking a declaratory judgment of invalidity presents a claim independent of the patentee's charge of infringement." *Cardinal,* 113 S.Ct. at 1975. Jurisdiction of Chase's counterclaim was based on 28 U.S.C. 1338 and 28 U.S.C. 2201. Clearly, under both of these statutes, Chase was raising the claim of invalidity having a basis for jurisdiction independent of the allegations of the complaint for infringement.

The Federal Circuit's disregard of the independent nature of a declaratory judgment counterclaim for invalidity is clearly contrary to the Supreme Court's decision in the *Cardinal* case. The Federal Circuit's position is not supportable for the many reasons set forth by Judge Nies in her dissent in the order declining the suggestion for rehearing *in banc* in the case of *In re Lockwood,* 50 F.3d 966, 986 (Fed.Cir.1995). Judge Nies noted in her dissent that a declaratory judgment claim for invalidity is not the "mere flip side of an infringement claim nor necessarily the same as an affirmative defense." She also correctly noted that the patent owner's claim of infringement has no relevance whatsoever to the merits of a declaratory judgment claim to invalidate a patent. She further stated that a claim for infringement is limited to the asserted claim, whereas the counterclaim may challenge the validity of all of the patent claims.[12] She also observed that "proof of validity forms no part of the plaintiff's case for infringement."

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[12] Chase challenged the validity of all the claims in the '796 and '652 Patents.

Because the nature of a declaratory judgment counterclaim of invalidity is independent of the charge of infringement, the Federal Court's analysis using the two-prong test directed to the "threat of infringement" as stated in *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 978 (Fed.Cir. 1993) is inapplicable. The *BP Chems.* analysis should apply only to a declaratory judgment claim for non-infringement, not a declaratory judgment counterclaim for *invalidity*.

To determine whether a "case or controversy" exists with regard to a declaratory judgment counterclaim for invalidity, Super Sack should have had to show that there was no case or controversy as to the issue of "validity." Since Chase put into issue the validity of all of the claims of the two patents-in-suit, one way that Super Sack could have claimed that there is no "case or controversy" as to validity was to *agree that all of the claims of the patents-in-suit were invalid.* This Super Sack did not do. The Federal Circuit used the test of whether there was a "threat of infringement", concluded there was not a threat of infringement, and dismissed the case. The *BP Chems.* analysis used by the Federal Circuit was wrong. It is contrary to the holding of this Court in *Cardinal.*

The Federal Circuit's opinion is also contrary to this Supreme Court's opinion in the case of *Altvater v. Freeman,* 319 U.S. 359 (1943). In the *Altvater* case, the plaintiff filed suit for specific performance of a license agreement and for infringement of a reissue patent. The plaintiff also asked for a specific performance injunction and for an accounting. The defendant answered, denying generally and setting up certain defenses. The defendant also filed a counterclaim asserting that the patents involved were invalid. In reply to the counterclaim for invalidity, the plaintiff generally denied the allegations and

claimed that there was no "justiciable controversy." After a hearing, the trial court made certain rulings and dismissed the complaint and granted the counterclaim. The Court of Appeals for the Eighth Circuit affirmed the trial court. On a petition for rehearing, the Eighth Circuit ruled that where the district court found no contract of license and no infringement, the other issues became moot and there was no longer a justiciable controversy between the parties. The Supreme Court took the case on a petition for certiorari and ruled that the counterclaim for invalidity was justiciable. The Supreme Court held:

At Pages 363-364:

> ". . . But we are of the view that the issues raised by the present counterclaim were justiciable and that the controversy between the parties did not come to an end (United States v. Alaska S. S. Co. 253 U.S. 113, 116, 64 L. Ed. 808, 809, 40 S.Ct. 448) on the dismissal of the bill for non-infringement, since their dispute went beyond the single claim and the particular accused devices involved in that suit."

* * *

At Pages 365-366:

> "Our conclusion is that it was error for the Circuit Court of Appeals to have treated the issues raised by the counterclaim as moot."

Thus, under the *Cardinal* and *Altvater* cases, Chase's counterclaim for invalidity was an independent, justiciable claim that could not and should not have been dismissed under a Rule 12 analysis or any other analysis. There was a "case or controversy" as to the issue of invalidity and it was error that it was dismissed.

IV. The Holding of the Federal Circuit in this Case Is Also in Direct Conflict with Prior Precedents of the Federal Circuit

The Federal Circuit's holding in this case is also in direct conflict with the holding in the case of *Shelcore, Inc. v. Durham Industries, Inc.*, 745 F.2d 621 (Fed.Cir. 1984). In that case, *Shelcore* did what Super Sack has done here; it voluntarily dismissed with prejudice one of the patent claims in issue. The Federal Circuit held in that case that the actions of Shelcore did not remove the validity issue because a valid counterclaim for invalidity was at issue. A pertinent quote at page 624 is as follows:

> "[1] Durham asserts that *all* of the claims of the '831 utility patent are invalid under section 103. We disagree. The district court held only claims 1-12 invalid. *By voluntarily dismissing with prejudice claim 13 of the '831 utility patent, Shelcore removed the issue of infringement of claim 13 from the trial court's consideration. But Shelcore could not unilaterally remove the validity issue because Durham's counterclaim put validity of all the claims in issue.* Nevertheless, Durham's counterclaim for a declaration of invalidity as to claim 13 is not supported by the record and therefore we conclude that the trial court did not err by holding invalid only claims 1-12." (Emphasis ours).

Super Sack only asserted infringement against Chase of claim 8 of the '796 patent and claim 20 of the '652 patent. By counterclaim Chase put into issue the validity of all the claims of the patents-in-suit. Clearly, under *Shelcore,* Chase's counterclaim for invalidity should have been tried with respect to all claims. The Federal Circuit in *Shelcore* said that the plaintiff-patentee could not unilaterally remove the validity

issue by withdrawing its charge of infringement when a counterclaim for invalidity existed. That ruling should have been followed in this case, but it was not.

V. The Federal Circuit Has Not Followed the Supreme Court's Directive That the Issue of Validity Be Litigated on Public Policy Grounds

The Supreme Court has expressed on many occasions its desire that the issue of validity be litigated because of its "greater public importance." In the case of *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 113 S.Ct. 1967, 1977, (1993) the Court said:

> ". . . In Sinclair & Carroll Co. v. Interchemical Corp., 325 U.S. 327 [65 USPQ 297] (1945), we approved of the District Court's decision to consider the question of validity even though it had found that a patent had not been infringed. Criticizing the contrary approach taken by other courts, we stated that 'of the two questions, *validity has the greater public importance,* Cover v. Schwartz, 133 F.2d 541 [54 USPQ 367] [CA2 1943], and the district Court in this case followed what will usually be the better practice by inquiring fully into the validity of this patent.' *Id.*, at 330. (Emphasis ours)
>
> "We also emphasized the importance to the public at large of resolving questions of patent validity in Blonder Tongue Laboratories, Inc. v. University of Illinois Foundation, 402 U.S. 313 [169 USPQ 513] (1971)." (Emphasis ours).

See also *Blonder Tongue Laboratories, Inc. v. University of Illinois Foundation,* 402 U.S. 313, 343 (1971) and *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945).

The Supreme Court opined in *Cardinal* that it would be an abuse of discretion not to consider the issue of validity.

> "In rejecting the Federal Circuit's practice we acknowledge that factors in an unusual case might justify that Court's refusal to reach the merits of a validity determination--a determination which it might therefore be appropriate to vacate. A finding of noninfringement alone, however, does not justify such a result. Nor does anything else in the record of this case. The two patents at issue here have been the subject of three separate lawsuits, and both parties have urged the Federal Circuit to resolve their ongoing dispute over the issue of validity; *it would be an abuse of discretion not to decide that question in this case.* Accordingly, the judgment of the Court of Appeals is vacated, and the case is remanded to that Court for further proceedings consistent with this opinion." (Emphasis ours).

It is a recognized principle that wrongfully-issued patents may hinder competition in technologies which rightfully ought to be in the public domain. See, e.g., *Lear, Inc. v. Adkins,* 395 U.S. 653, (1969). Accordingly, the Supreme Court has recognized the importance of invalidating wrongfully-issued patents. See, e.g., *Sinclair & Carroll Co. v. Interchemical Corp.,* 325 U.S. 327, 330, (1945); *Pope Mfg. Co. v. Gormully,* 144 U.S. 224, 234 (1892). A policy of avoiding the trial of the issue of validity is at odds with such a policy and, accordingly, will likely hinder free competition. In this case, Super Sack tried to monopolize and hinder competition in the bulk bag industry by suing virtually every company in the United States that sold bulk bags. Super Sack's patents should be put to the test of "validity" so that, if they are invalid, their "sword" will be rendered useless.

CONCLUSION

The Federal Circuit has now sanctioned a procedure that circumvents the voluntary dismissal procedures set forth in the Federal Rules of Civil Procedure. This procedure is in direct conflict with the precedents of this Court as well as the precedents of the Federal Circuit. For the reasons set forth above, this Court should grant a writ of certiorari to the Court of Appeals for the Federal Circuit.

Respectfully submitted,

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APPENDIX

United States Court of Appeals for the Federal Circuit

95-1001

SUPER SACK MANUFACTURING CORPORATION,
Plaintiff-Appellee,

v.

CHASE PACKAGING CORPORATION,
Defendant-Appellant.

DECIDED: June 15 . 1995

Before MICHEL, *Circuit Judge,* SMITH, *Senior Circuit Judge,* and CLEVENGER, *Circuit Judge.*

MICHEL, *Circuit Judge.*

Chase-Packaging Corporation (Chase) appeals from the September 1, 1994 order of the U.S. District Court for the Northern District of Texas, No. 3:88-CV-1963-P, dismissing the case with prejudice for lack of a reasonable apprehension of a future infringement suit after Super Sack Manufacturing Corporation (Super Sack) withdrew its infringement allegations, and denying Chase's motion to amend its pleadings to include a declaratory judgment counterclaim of unenforceability due to inequitable conduct. Because the trial court correctly concluded that Super Sack's promise to assert neither U.S. Patent No. 4,143,796 ('796) nor U.S. Patent No. 4,194,652 ('652) against Chase as to any of its past or present products precludes the existence of an actual controversy, we affirm.

BACKGROUND

In August 1988, Super Sack sued Chase for allegedly infringing the '796 and '652 patents. Chase denied

infringement and counterclaimed for declaratory judgments of both noninfringement and invalidity, the latter on anticipation and obviousness grounds. The parties proceeded with discovery, which was completed in June 1989, and submitted a joint pretrial order to the court in August 1989. During this period, in May 1989, Chase filed its first motion for summary judgment of noninfringement, which motion the trial court denied on August 26, 1991.

In 1990, Super Sack asserted the same two patents against another party, Augusta Bag Company, in the U.S. District Court for the Southern District of Georgia. This latter case was tried to the bench in July 1992, and, in October 1992, the trial court found the patents-in-suit not invalid and not infringed. We summarily affirmed the trial court's decision in September 1993. *Super Sack Mfg. v. Augusta Bag Co.*, 6 F.3d 786 (Fed. Cir. 1993) (table).

In February 1993, after a long period of inactivity in the case at bar, Chase again moved for summary judgment, this time as to noninfringement, invalidity, and, raising the issue for the first time, unenforceability due to inequitable conduct. Super Sack initially responded to all three issues on the merits, but argued in a subsequent memorandum that the inequitable conduct issue had not been pled and was therefore not properly before the court. Chase rejoined that Super Sack had, by answering on the merits, waived its procedural objection to the inequitable conduct claim, and that Super Sack was not prejudiced by consideration of the issue in any event. The trial court never ruled on this summary judgment motion.

More than a year later, on May 27, 1994, the trial court directed the parties to confer to determine whether the case

should proceed to trial in light of the fact that Super Sack had indicated that it no longer wished to pursue its infringement claims against Chase, and it appeared that, if Super Sack dropped its infringement claims Chase might then drop its inequitable conduct claim. In June 1994, Chase filed a report to the effect that it was, *inter alia.* unwilling to drop its declaratory judgment counterclaims.

On July 1, 1994, Chase followed up its report with a motion to amend its pleadings to include the inequitable conduct count. At the same time, it filed a motion styled a "Motion Requesting this Court to Order Super Sack to Show Cause as to Why Chase's Motion for Summary Judgment on the Issue of Non-Infringement Should Not be Granted." One week later, Super Sack filed a "Motion to Dismiss for Lack of Jurisdiction or, In the Alternative, Plaintiff's Motion to Dismiss by Order of this Court," citing Federal Rules of Civil Procedure 12(b)(1) and 41(a)(2). Super Sack made the jurisdictional point the focus of its argument. It was, stripped of citations, as follows:

> The existence of an actual case or controversy is an absolute jurisdictional prerequisite for declaratory judgments under 28 U.S.C. § 2201. Moreover, an actual controversy must exist at all stages of review, not merely at the time the complaint is filed. The "actual controversy" requirement precludes a declaration regarding the validity or enforceability of claims unless the defendant objectively has a reasonable apprehension that it is facing or will face claims of infringement regarding those [patent] claims.
>
> Super Sack has previously offered to dismiss its claims of infringement if Chase would dismiss its Declaratory Judgment Counterclaims. Super Sack will now go one step

> further. *Super Sack will unconditionally agree not to sue Chase for infringement as to any claim of the patents-in-suit based upon the products currently manufactured and sold by Chase.* This totally removes any current or future apprehension by Chase that it will face claims of infringement regarding the patents-in-suit, and it completely eliminates any actual case or controversy in this case. Without an actual case or controversy, the Court is divested of jurisdiction.
>
> Given that Super Sack has now, if not before, removed any actual controversy between the parties, all remaining issues are moot, and the Court is divested of subject matter jurisdiction over Chase's declaratory judgment claim. Accordingly, the instant action should be dismissed pursuant to Federal -Rule of Civil Procedure 12(b)(1).

(Emphasis added). One aspect of Super Sack's promise not to sue Chase on the '796 and '652 patents is especially noteworthy in the context of the instant appeal: the promise not to sue, as made before the trial court and repeated here, extends *only* to products that Chase made, used, or sold on or before July 8, 1994, the date Super Sack filed its motion to dismiss. In other words, Super Sack has *not* promised not to sue Chase on these patents for products that Chase first made, used, or sold *after* July 8, 1994. In its reply to Chase's opposition to the motion to dismiss, Super Sack was at great pains to emphasize that it "has not and does not concede its claims of infringement against Chase," but also reiterated that it "has unconditionally promised not to sue Chase in the future for infringement of the patents-in-suit with respect to any products currently manufactured or sold by Chase."

On September 1, 1994, the trial court granted Super Sack's motion to dismiss. After listing some eighteen motions then before it, the court entered the order as follows:

> Plaintiff moves for dismissal of this action for lack of subject matter jurisdiction as Plaintiff no longer desires to pursue its claims for infringement with respect to any bulk bags previously or currently manufactured or sold by Defendant. Further, Plaintiff reports that it has unconditionally promised not to sue Defendant in the future on the patents-in-suit. Therefore, the Court finds that Plaintiff's Rule 12(b)(1) and Rule 41(a)(2) Motion to Dismiss to be [sic, is] proper and should be granted. In the opinion of this Court, Defendant's Motion to Amend its Pleadings in order to amend its pleadings to include the defense of inequitable conduct/unenforceability of Patent No. 4,143,796 and Patent No. 4,194,652 fails to present sufficient evidence that a continuing case or controversy is present necessitating the continuance of this litigation. In the interest of judicial economy, the Court believes that Defendant's motion should be denied.
>
> In conclusion, the Court ORDERS that:
>
> (1) Defendant's Motion to Amend is Pleadings be DENIED;
>
> (2) Plaintiffs Motion to Dismiss for Lack of Jurisdiction or, In The Alternative, Plaintiff's Motion to Dismiss by Order of This Court be GRANTED; and
>
> (3) this case be DISMISSED with prejudice.

Putting to one side the Rules according to which the parties' respective motions were styled[1] it is clear that the trial court, fulfilling its obligation as the first custodian of its own jurisdiction, dismissed the case for lack of an actual controversy as required by Article III.[2]

Chase appeals from the trial court's order, contending that Super Sack's promise not to sue, present in motion papers and reported in the trial court's order but *not* memorialized in a covenant, is too indefinite to estop Super Sack from again suing Chase on the '796 and '652 patents as to past and present products and fails to cover future products at all. The uncertainty of the estoppel, Chase argues, leaves intact a controversy that is sufficiently actual to ground jurisdiction over its counterclaim for a declaratory judgment of invalidity. According to Chase,

> Super Sack has *never* "unconditionally agreed not to sue Chase on the patents in suit." Super Sack Brief, pp. 7, 11.

---

[1] As we have noted, a motion's substance, rather than its linguistic form alone, determines its nature and thus its legal effect. *Registration Control Sys., Inc. v. Compusystems, Inc.*, 922 F.2d 805, 808, 17 USPQ2d 1212, 1214 (Fed. Cir. 1990). *See also* 2A JAMES W. MOORE ET AL., MOORE'S FEDERAL PRACTICE § 7.05 at 7-18 (1994).

[2] Chase makes much of the fact that Rule 41(a)(2), one of the two rules on which Super Sack relied before the trial court and which the trial court referred to in its order, cannot be used to dismiss the case at bar. As we have observed countless times, however, we review judgments, not opinions, *Milliken Research Corp. v. Dan River, Inc.*, 739 F.2d 587, 593, 222 USPQ 571, 576 (Fed. Cir. 1984), and we "need not close [our] eyes to the record where, as in this case, there is a way clearly open to affirm" the trial court's action, *Consolidated Aluminum Corp. v. Foseco Int'l Ltd.*, 910 F.2d 804, 814, 15 USPQ2d 1481, 1489 (Fed. Cir. 1990).

> Super Sack's moving papers in the trial court never make such a commitment. Super Sack's commitment not to sue has always been limited to Chase's "bulk bags previously or currently manufactured or sold by Chase." Super Sack's statement that they have "unconditionally" agreed not to sue Chase is false. Furthermore, Super Sack has never filed a "covenant not to sue" or an "affidavit not to sue" or similar document indicating a firm commitment that it would not sue Chase.

Super Sack maintains, however, that its promise not to sue Chase is of sufficient strength and breadth to divest the federal courts of subject matter jurisdiction over this declaratory judgment action.

DISCUSSION

Standard of Review

Whether, upon a particular set of facts, an actual controversy exists for purposes of Article III is a question of law subject to plenary appellate review. *BP Chems. Ltd. v. Union Carbide, Corp.*,4 F.3d 975, 978, 28 USPQ2d 1124, 1127 (Fed. Cir. 1993). "A district court's view of the legal effect of the fact pattern before it is not," however, "to be lightly disregarded." *Arrowhead Indus. Water, Inc. v. Ecolochem, Inc.*, 846 F.2d 731, 735, 6 USPQ2d 1685, 1688 (Fed. Cir. 1988).

Analysis

A declaratory judgment counterclaim, according to the relevant procedural provision, may be brought to resolve an "actual controversy" between "interested" parties. 28 U.S.C. §2201(a) (Supp. V 1993). The existence of a sufficiently concrete dispute between the parties remains, however, a

jurisdictional predicate to the vitality of such an action. *Aetna Life Ins. Co. v. Haworth,* 300 U.S. 227, 239-41(1937); *Spectronics Corp. v. H.B. Fuller Co.,* 940 F.2d 631, 633-34, 19 USPQ2d 1545, 1547 (Fed. Cir.), *cert. denied,* 502 U.S. 1013 (1991). Indeed, the "actual controversy must be extant at all stages of review, not merely at the time the complaint is filed." *Preiser v. Newkirk,* 422 U.S. 395, 401 (1975). The burden is thus on Chase "to establish that jurisdiction over its declaratory judgment action existed at, and has continued since, the time the [counterclaim] was filed." *International Med. Prosthetics Research Assocs. v. Gore Enter. Holdings, Inc.,* 787 F.2d 572, 575, 229 USPQ 278, 281 (Fed. Cir. 1986).

"The long established rule of law is that a declaratory judgment plaintiff must establish an actual controversy on the 'totality of the circumstances. '" *Spectronics,* 940 F.2d at 634, 19 USPQ2d at 1547 (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.,* 312 U.S. 270, 272 (1941)). In the domain of suits for declarations of patent rights and relationships, a two-part test for determining justiciability has evolved. As we stated in *BP Chemicals,*

> There must be both (1) an explicit threat or other action by the patentee, which creates a *reasonable* apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) *present* activity which could constitute infringement or concrete steps taken with the intent to conduct such activity.

4 F.3d at 978, 28 USPQ2d at 1126 (emphasis added). Again, the "purpose of the two-part test is to determine whether the need for judicial attention is real and immediate," in which case the federal courts have jurisdiction, or whether it is

"prospective and uncertain of occurrence," in which case they do not. *Id.* Because we test the presence *vel non* of an actual controversy by reference to the facts of each case, generally applicable rules are few. Our cases do, however, mark out the endpoints of the continuum: On the one hand, a party who fears potential infringement liability as a result of its past or present acts can be placed in reasonable apprehension of a suit for patent infringement, and thereupon bring a justiciable declaratory judgment action, by conduct that falls short of an *express* threat of infringement litigation. *Goodyear Tire & Rubber Co. v. Releasomers, Inc.*, 824 F.2d 953, 955-56, 3 USPQ2d 1310, 1311-12 (Fed. Cir. 1987). On the other hand, a patentee defending against an action for a declaratory judgment of invalidity can divest the trial court of jurisdiction over the case by filing a covenant not to assert the patent at issue against the putative infringer with respect to any of its past, present, or future acts, even when a reissue application covering the same claimed subject matter is then pending. *Spectronics,* 940 F.2d at 636-38, 19 USPQ2d at 1549-51. Against this backdrop, we assess Chase's contention that Super Sack failed to divest the trial court of jurisdiction over the case at bar with its promise not to sue Chase on the '796 and '652 patents.

Chase contends, as a threshold matter, that the *form* of Super Sack's promise not to assert the patents--that is, its presence as a statement of counsel in motion papers and briefs, rather than a covenant signed by Super Sack itself and filed with the court--deprives the promise of any power it might otherwise have to moot this case. Specifically, Chase asserts that

> Super Sack's statement "not to sue Chase in the future" is an argument or an offer of Mr. O'Neil, Super Sack's counsel, not a commitment on behalf of Super Sack itself. . . Super

> Sack may later deny that its counsel, Mr. O'Neil, had authority to make the statement that it would not ever sue Chase in the future. Unquestionably, Chase still has a reasonable apprehension of suit.

We disagree. Super Sack cannot free itself of the estoppel that its counsel has created with respect to Chase merely by retaining different counsel, and no rule of agency law with which we are familiar can relieve Super Sack of the estoppel on the ground that its current counsel acted *ultra vires*. *See Link v. Wabash R.R. Co.*, 370 U.S. 626, 633-34 (1962) ("Petitioner voluntarily chose this attorney as his representative in the action, and he cannot now avoid the consequences of the acts or omissions of this freely selected agent. Any other notion would be wholly inconsistent with our system of representative litigation, in which each party is deemed bound by the acts of his lawyer-agent and is considered to have 'notice of all facts, notice of which can be charged upon the attorney.'") (quoting *Smith v. Ayer*, 101 U.S. 320, 326 (1879)). Super Sack itself is bound, both now and in the future, by its promise not to sue Chase.

The legal effect of Super Sack's promise not to sue is the heart of the matter, and the trial court acted consistently with that legal effect. In short, although Chase may have some cause to fear an infringement suit under the '796 and '652 patents based on products that it may develop in the future, Chase has no cause for concern that it can be held liable for any infringing acts involving products that it made, sold, or used on or before July 8, 1994, the day Super Sack filed its motion to dismiss for lack of an actual controversy. As to the '796 and '652 patents, Super Sack is forever estopped by its counsel's statement of nonliability, on its face and as explained during oral argument

before this court, from asserting liability against Chase in connection with any products that Chase made, sold, or used on or before July 8, 1994. This estoppel, in turn, removes from the field any controversy sufficiently actual to confer jurisdiction over this case. Because Chase can have no reasonable apprehension that it will face an infringement suit on the '796 and '652 patents with respect to past and present products, it fails to satisfy the first part of our two-part test of justiciability.

Chase also contends that Super Sack's promise not to sue fails to eliminate the controversy between them because, however absolute it may be with respect to past and present products, the promise does not cover products that Chase may make, sell, or use in the future. But, as our cases have made clear, the second part of our test of declaratory justiciability respecting patent rights requires that the putative infringer's "*present* activity" place it at risk of infringement liability. *BP Chems.*, 4 F.3d at 978, 28 USPQ2d at 1126. *See also Spectronics*, 940 F.2d at 634, 19 USPQ2d at 1548 ("[T]he accused infringer must have *actually* produced or prepared to produce an allegedly infringing product.") (emphasis added); *id.* at 636, 19 USPQ2d at 1549-50 ("Spectronics is required to demonstrate that it *is* engaged in potentially infringing conduct . . . .") (emphasis added); *Arrowhead Indus.*, 846 F.2d at 736, 6 USPQ2d at 1689 ("Plaintiff must be engaged in an *actual* making, selling or using activity subject to an infringement charge or must have made meaningful preparation for such activity.") (emphasis added). Chase has, of course, never contended that it has already taken meaningful preparatory steps toward an infringing activity by planning to make a new product that may later be said to infringe. And Super Sack's promise not to sue renders any past or present acts of

infringement that Chase may or may not have committed irrelevant to the question whether a justiciable controversy remains. The residual possibility of a future infringement suit based on Chase's future acts is simply too speculative a basis for jurisdiction over Chase's counterclaim for declaratory judgments of invalidity. The only proper course for the trial court was to dismiss the case for lack of jurisdiction, as it did.

Finally, Chase attempts to cut our two-step justiciability analysis off at the pass by arguing that the Supreme Court's decision in *Cardinal Chemical Co. v. Morton International, Inc.*, 113 S. Ct. 1967 (1993), "clearly [up]held the separate viability of an invalidity counterclaim." Chase relies on the Court's observation that "[a] party seeking a declaratory judgment of invalidity presents a claim independent of the patentee's charge of infringement," *id.* at 1975, but only after cutting it loose from the context in which it was made. The question actually before the Supreme Court in *Cardinal* was "whether the affirmance by the Court of Appeals for the Federal Circuit of a finding that a patent has not been infringed is a sufficient reason," *by itself,* "for vacating a declaratory judgment holding the patent invalid." *Id.* at 1969. The Court answered in the negative, but noted "that factors in an unusual case might justify [the Federal Circuit's] refusal to reach the merits of a validity determination," *id.* at 1978, making the decision a relatively narrow one. In other words, according to *Cardinal,* a claim for a declaratory judgment of invalidity is independent of the patentee's charge of infringement in the following--and only the following--way: an affirmed finding of noninfringement does not, without more, justify a reviewing court's refusal to reach the trial court's conclusion on invalidity. *Id.* The instant case comes to us in a posture far

removed from the one scrutinized *in Cardinal:* here, the trial court neither made a finding on infringement nor reached a conclusion on validity. *Cardinal,* addressed to the propriety of appellate jurisdiction over final judgments respecting infringement and validity, simply does not apply.

Contrary to Chase's contention, "a party seeking a declaratory judgment [still] has the burden of establishing the existence of an actual case or controversy." *Id.* at 1974 (citing *Aetna Life Ins.). Cardinal* does not revolutionize the justiciability of declaratory judgment actions attacking a patent's validity, in the manner that Chase suggests or otherwise, and nothing in *Cardinal* undermines our decisions on declaratory justiciability at the trial court level, decisions according to which jurisdiction was clearly wanting in the instant case.

CONCLUSION

In sum, the trial court did not err in concluding that post-filing events rendered moot the controversy in this case. To proceed would have involved the court in rendering a forbidden advisory opinion. *Aetna Life Ins.,* 300 U.S. at 239-41.

Having duly considered and rejected Chase's other arguments on appeal, we affirm the order of the trial court denying Chase's motion to amend its pleadings, granting Super Sack's motion to dismiss for lack of jurisdiction, and dismissing the case with prejudice.

AFFIRMED

COSTS

Each party to bear its own costs.

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHRN DISTRICT OF TEXAS
DALLAS DIVISION

SUPER SACK MANUFACTURING CORPORATION,

Plaintiff,

v.

CHASE PACKAGING CORPORATION,

Defendant.

CA3: 88-CV-1963-P

ORDER

Presently before the Court for consideration are:

(1) Defendant's Motion for Summary Judgment, filed February 16, 1993;

(2) Plaintiff's Response to Defendant's Motion for Summary Judgment, filed March 10, 1993;

(3) Chase's Reply Memorandum in Response to Super Sack's Memorandum Titled "Plaintiff's Response to Defendant's Motion For Summary Judgment", filed March 23, 1993;

(4) Plaintiff's Motion For Leave to (A) Supplement Plaintiff's Response to Defendant's Motion For Summary Judgment and (B) File Plaintiff's Reply to Defendant's Reply to Plaintiff's Response, filed March 30, 1993;

(5) Chase's Motion For Leave to File The Brief Entitled "Chase's Supplemental Response to The Memorandum

of Super Sack Titled 'Plaintiff's Response to Defendant's Motion For Summary Judgment'", filed March 30, 1993;

(6) Chase's Nunc Pro Tunc Motion and Memorandum For Leave to File Its Previously Filed Reply and Supplement Response Memorandums and Affidavit of Dalbert U. Shefte in Regard to Its Motion to Stay and Memorandum in Support of Chase's Motion For Leave to File Its Reply and Supplemental Response Memorandums in Regard to Its Motion For Summary Judgment, filed March 31, 1993;

(7) Plaintiff's Response in Opposition to Chase's Motion for Leave to File the Brief Entitled "Chase's Supplemental Response to the Memorandum of Super Sack Titled 'Plaintiff's Response to Defendant's Motion for Summary Judgment'", filed April 6, 1993;

(8) Defendant's Motion to Lift Stay for Limited Purpose of Allowing Defendant to Amend Its Pleading, filed June 28, 1994;

(9) Defendant's Motion to Amend its Pleading, filed June 28, 1994;

(10) Defendant's Motion to Reinstate the Stay Pending the Outcome of two Cases Pending Before Judge Brown in the U.S. District Court for the Eastern District of Texas, Southern Division Where the Issue of Inequitable Conduct is Being Litigated, filed June 28, 1994;

(11) Defendant's Motion Requesting This Court to Order Super Sack to Show Cause as to Why Chase's Motion for Summary Judgment on The Issue of Non-

Infringement Should Not Be Granted, filed July 1, 1994;

(12) Plaintiff's Motion to Dismiss for Lack of Jurisdiction or, In The Alternative, Plaintiff's Motion to Dismiss by Order of This Court, filed July 8, 1994;

(13) Plaintiff's Response to Defendant's Motion to Lift The Stay, to Amend It's Answer, and to Reinstate the Stay, filed July 11, 1994;

(14) Plaintiff's Response to Defendant's Motion Requesting This Court to Order Plaintiff to Show Cause Why Defendant's Motion for Summary Judgment Should Not be Granted, filed July 11, 1994;

(15) Chase's Reply Memorandum in Response to Defendant's Memorandum Pertaining to Chase's Motion to Amend, filed July 26, 1994;

(16) Chase's Reply Memorandum in Response to Defendant's Memorandum Pertaining to Chase's Motion to Show Cause, filed July 26, 1994;

(17) Memorandum of Chase in Opposition to Super Sack's Motion to Dismiss, filed July 26, 1994; and

(18) Plaintiff's Reply to Defendant's Response to Plaintiff's Motion to Dismiss for Lack of Jurisdiction or, In the Alternative, Plaintiff's Motion to Dismiss by Order of This Court, filed August 10, 1994.

Plaintiff moves for dismissal of this action for lack of subject matter jurisdiction as Plaintiff no longer desires to pursue its claims for infringement with respect to any bulk bags previously or currently manufactured or sold by Defendant. Further, Plaintiff reports that it has unconditionally promised

not to sue Defendant in the future on the patents-in-suit. Therefore, the Court finds that Plaintiff's Rule 12(b)(1) and rule 41(a)(2) Motion to Dismiss to be proper and should be granted. In the opinion of this Court, Defendant's Motion to Amend its Pleadings in order to amend its pleadings to include the defense of inequitable conduct/unenforceability of Patent No. 4,143,796 and Patent No. 4,194,652 fails to present sufficient evidence that a continuing case or controversy is present necessitating the continuance of this litigation. In the interest of judicial economy, the Court believes that Defendant's Motion should be denied.

In conclusion, the Court ORDERS that:

(1) Defendant's Motion to Amend its Pleadings be **DENIED**;

(2) Plaintiff's Motion to Dismiss for Lack of Jurisdiction or, In The Alternative, Plaintiff's Motion to Dismiss by Order of This Court be **GRANTED**; and

(3) this case be **DISMISSED with prejudice**.

SO ORDERED this 31st day of August, 1994.

Jorge A. Solis
UNITED STATES DISTRICT JUDGE

United States Court of Appeals for the Federal Circuit

FILED
AUG 23 1995
ORDER

A combined petition for rehearing and suggestion for rehearing in banc having been filed by the APPELLANT, and a response thereto having been invited by the court and filed by the APPELLEE, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the suggestion for rehearing in banc and response having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF, it is

ORDERED that the petition for rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the suggestion for rehearing in banc be, and the same hereby is, DECLINED.

The mandate of the court will issue on August 30, 1995.

FOR THE COURT,
FRANCIS X. GINDHART, CLERK

Dated: August 23, 1995

By /s/ Diane M. Frye
Diane M. Frye
Chief Deputy Clerk

cc: JAMES L. KURTZ
MICHAEL A. O'NEIL
SUPER SACK MFG V CHASE PACKAGING, 95-1001 (DCT-3-88-1963-P)

Note: Pursuant to Fed. Cir. R. 47.6, this order is not citable as precedent. It is a public record.

Supreme Court, U.S.
FILED
DEC 19 1995
CLERK

No. 95-805

In The

Supreme Court of the United States

October Term, 1995

CHASE PACKAGING CORPORATION,

Petitioner,

v.

SUPER SACK MANUFACTURING CORPORATION,

Respondent.

On Petition For Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF RESPONDENT SUPER SACK MANUFACTURING CORPORATION, IN OPPOSITION

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QUESTION PRESENTED

Whether the "actual case or controversy" requirement precludes a declaration regarding validity or enforceability of a claim when a defendant has absolutely no reasonable apprehension that it is facing or will face claims of infringement regarding the patents-in-suit because plaintiff has unequivocally stated that it will not assert or pursue claims of infringement against defendant, involving the patents-in-suit.

LIST OF PARTIES TO PROCEEDING PURSUANT TO RULES 14.1(b) AND 29.1

Pursuant to Supreme Court Rule 14.1(b), Respondent certifies that the names of all parties to this proceeding appear in the caption of this Brief of Respondent Super Sack Manufacturing Corporation.

Pursuant to Supreme Court Rule 29.1, Respondent Super Sack Manufacturing Corporation is a subsidiary of Super Sack Bag Inc., a Delaware corporation. Respondent Super Sack Manufacturing Corporation does not have any nonwholly-owned subsidiaries.

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STATEMENT OF THE CASE

Petitioner's description of the record as contained both in the statement of the case and in the argument is inaccurate in numerous respects. The following summary accurately sets forth the record and also points out those mischaracterizations of the record pertinent to the issues presented:

In response to the complaint Super Sack Manufacturing Corporation filed against Chase, Chase answered and counterclaimed for a declaratory judgment of invalidity and non-infringement. Chase, however, did not raise the issue of inequitable conduct in its Answer and Counterclaim. The parties proceeded with discovery, which was completed on *June 15, 1989*, and submitted a joint pretrial order to the Court on August 11, 1989. Contrary to Chase's assertion, the case has been essentially dormant since that time.

In the meantime, in 1990 Super Sack brought suit on the same patents against Augusta Bag Company in the U.S. District Court for the Southern District of Georgia (the "Augusta litigation").[1] The case was tried to the Georgia court in July 1992, and the court found the patents-in-suit valid but not infringed. The decision of the Georgia court was subsequently affirmed by the Federal Circuit in September 1993. *Super Sack Mfg. Corp. v. Augusta Bag Co.*, 6 F.3d 786 (Fed. Cir. 1993).

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[1] Super Sack brought suit on the same patents against other companies that infringed its patent rights. The Augusta lawsuit was actually the second lawsuit tried. Super Sack was victorious in the first trial against Bulk-Pack, Inc. and Bancroft Bag, Inc.

Although the Georgia court's interpretation of the scope of the claims and range of equivalents was not binding on the district court in this case, Super Sack determined that as a practical matter the Georgia ruling would make it difficult to prevail on the issue of infringement in this and other pending actions. Accordingly, Super Sack offered to dismiss all claims in this case with prejudice if Chase would agree to a dismissal with prejudice of its declaratory judgment counterclaims in the case. Chase refused, demanding that Super Sack dismiss its claim for infringement and that the trial on the issues of invalidity and unenforceability proceed.

After the Georgia court's decision in *Augusta Bag*, Chase filed a Motion for Summary Judgment on the issue of inequitable conduct, relying upon defenses and counterclaims asserted by third parties in other actions involving the patents-in-suit. Super Sack responded. On March 26, 1993, the parties, at the court's direction, filed a second Joint Pretrial Order in which Chase incorrectly advised the court that its declaratory judgment counterclaims included the allegation that "the patents in suit are unenforceable against the Defendant because of the patentees' and their attorneys' inequitable conduct before the U.S. Patent and Trademark Office during their prosecution." Super Sack pointed out in the second Joint Pretrial Order that "Defendant never plead inequitable conduct on the part of the Patentees and no discovery was taken on this issue."

The parties filed a Joint Status Report on May 12, 1994. In that Status Report, Super Sack pointed out that "Plaintiff believes that the decisions of the District Court and the Federal Circuit in the Augusta Bag litigation,

although clearly not binding precedent, practically remove any economic motives to litigate the issues of infringement and validity in the present case." Chase stated that "[t]he issues remaining in this case from the Defendant's point of view are: 1) non-infringement, 2) inequitable conduct of Plaintiff, and 3) attorneys' fees." "If the Plaintiff still asserts the issue of infringement," Chase said, "then the Defendant would assert that the patents in suit are invalid," making it crystal clear that Chase had no interest in litigating the validity of the patents-in-suit, except as a defense to a charge of infringement.

On May 27, 1994, the court issued an order directing the parties to confer to determine whether this case should proceed to trial in light of the following facts: (1) Super Sack has indicated that it no longer wished to pursue its infringement claims against Defendant; and (2) it appeared to the court that if Super Sack dropped its infringement claim, Chase might also drop its claim for inequitable conduct. On June 15 and June 16, 1994, Super Sack and Chase, respectively, filed separate reports to the court, wherein Chase made clear that it was unwilling to agree to a dismissal of its declaratory judgment counter-claims in the event the infringement claim was dismissed.

Immediately after the filing of the status reports, Chase filed a Motion to Lift Stay for Limited Purposes, to Amend its Pleading, and to Reinstate the Stay, ("Motion to Amend") and a motion, not known to the Federal Rules of Civil Procedure, entitled Motion Requesting this Court to Order Plaintiff to Show Cause Why Defendant's Motion for Summary Judgment Should Not be Granted ("Motion to Show Cause").

On July 8, 1994, Super Sack filed its Motion to Dismiss for Lack of Jurisdiction or, in the Alternative, Plaintiff's Motion to Dismiss by Order of this Court and Memorandum in Support ("Motion to Dismiss".)[2] Super Sack expressly stated that it "no longer desires to pursue its claims for infringement of U.S. Patent Nos. 4,194652 and 4,143,796 . . . ". Accordingly, no case or controversy exists. On September 1, 1994, an Order dismissing this case was entered. As a result of the foregoing order, Chase appealed to the Federal Circuit. Having duly considered Chase's written and oral arguments, the Federal Circuit, by way of a twelve (12) page opinion, affirmed the trial court's Order. Chase subsequently petitioned for rehearing with suggestion for rehearing in banc. Chase's petition for rehearing was denied by the Federal Circuit.[3]

SUMMARY OF ARGUMENT

Simply filing a declaratory judgment does not create a case controversy where none existed previously. Super Sack has *unconditionally agreed* not to sue Chase for infringement of any claim of the patents-in-suit, thereby

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[2] Once again, contrary to Chase's assertion, the Motion to Dismiss was not filed on the "eve of trial." There was no current trial setting for this case.

[3] After Chase filed its petition for rehearing, Chase filed a bill of costs. Super Sack filed an objection to the bill of costs in its entirety along with a separate opposition to object to specific requested cost items. The trial court awarded Chase costs in the amount of $9,284.50. Thus, Super Sack has *not* been allowed to dismiss its complaint without the assessment of "terms and conditions", as provided for in Rule 41.

removing any current or future apprehension by Chase that it will face claims of infringement of the patents-in-suit and eliminating any actual case or controversy in this action. Without an actual case or controversy, the trial court was divested of jurisdiction and lacked subject matter jurisdiction to grant Chase's request for declaratory judgment. The existence of an actual case or controversy is an absolute prerequisite for declaratory judgments under 28 U.S.C. § 2201. The "actual case or controversy" requirement precludes a declaration regarding *validity* or *enforceability of claims unless* Chase objectively has a reasonable apprehension that it is facing or will face claims of infringement regarding those claims. Since Super Sack has unequivocally stated that it will not assert or pursue claims of infringement against Chase involving the patents-in-suit, there is no reasonable apprehension of Chase being sued by Super Sack. Therefore, the granting of Super Sack's Motion to Dismiss was proper and should be affirmed because there is no case or controversy between Super Sack and Chase.

Additionally, Chase's attempt to interject the issue of inequitable conduct simply does not create a case or controversy. The Federal Circuit had recognized that the fact that "issues of invalidity and enforceability are raised in a declaratory judgment action does not change what is 'the claim.' The basis for maintaining a declaratory judgment action for invalidity (or enforceability) rests upon the existence of an actual case or controversy" cognizable in Federal Court. *Foster v. Hallco Mfg. Co., Inc.*, 947 F.2d 469, 20 U.S.P.Q.2d 1241 (Fed. Cir. 1991). The act of obtaining an invalid patent alone creates no legal right to a

remedy in another. *Id.* Thus, charges of inequitable conduct, like other patent invalidity defenses, disappear when the charge of infringement is moot.

Finally, the Federal Circuit *did not* misconstrue the *Cardinal, Altvater* or the *Shelcore* case. In *Cardinal,* the issue of infringement and invalidity had been fully litigated both at the trial level and at the appellate level. The court held that, in such a situation, a ruling of invalidity by the trial court should not be vacated by the appellate court merely because non-infringement had also been determined. Thus, in *Cardinal,* the infringement issue was still active and alive at the appellate level, thereby providing a basis for a decision of validity.

In *Altvater,* a live controversy existed separate and apart from the original cause of actions relating to specific performance of a license agreement involving the issuance of an original patent. Here, plaintiff demanded royalties and defendant paid royalties on additional articles manufactured and sold by defendant which plaintiff claimed to infringe the reissue patent. Because the controversy involved went beyond the original claim and beyond the original accused devices, this court was correct in finding that there was a justiciable controversy.

In *Shelcore,* the patentee had withdrawn its charge of infringement as to one claim only. Thus, the accused infringer still had a reasonable apprehension as to being sued under the remaining claims. Since a case or controversy remained as to the claims that had not been withdrawn, the issue of validity as to those claims was still viable. The present case is distinguishable because the charge of infringement has been permanently withdrawn

as to all claims; thus, there is no case or controversy to support a claim of invalidity.

REASONS FOR DENYING THE WRIT

At the trial level, Chase failed to meet its burden of proving that a sufficiently concrete dispute between the parties still remains since the time the counterclaim was filed. First, Chase had no reasonable apprehension that it would face an infringement suit on the patents-in-suit with respect to past and present product. Second, as correctly stated by the Federal Circuit, "[t]he residual possibility of a future infringement suit based on Chase's future acts is simply too speculative a basis for jurisdiction over Chase's counterclaim for declaratory judgments of invalidity." Appendix, p. 12a. Thus, the trial court properly dismissed the case for lack of a "case of actual controversy within its jurisdiction" as required by the declaratory judgment statute, 28 U.S.C. § 2201.

As shown below, the trial court's ruling is not contrary to *Cardinal Chemical Co. v. Morton Int'l Inc.*, 113 S.Ct. 1967 (1993). As the Federal Circuit correctly pointed out, "*Cardinal* does not revolutionize the justiciability of declaratory judgment actions attacking a patent's validity, in the manner that Chase suggests or otherwise, and nothing in *Cardinal* undermines our decisions on declaratory justiciability at the trial court level, decisions according to which jurisdiction was clearly wanting in the instant case." Appendix, p. 13a.

I. NO CASE OR CONTROVERSY EXISTS BETWEEN SUPER SACK AND CHASE

A. There Was No Longer a Case or Controversy Once Super Sack Withdrew its Claim of Infringement

Contrary to Chase's assertions, simply filing a declaratory judgment action does not forever create a case or controversy. Since Super Sack unconditionally agreed not to sue Chase for infringement of any claim of the patents-in-suit on Chase's then existing product line, its covenant totally removed any current or future apprehension by Chase that it would face claims of infringement of the '796 and '652 patents, and completely eliminated any actual case or controversy in this action. *Level 1 Techs., Inc. v. C.R. Bard, Inc.*, 839 F. Supp. 90, 30 U.S.P.Q.2d 1715 (D. Mass. 1994) (actual controversy extinguished when patent holder abandoned allegation of infringement prior to trial). *See also Grain Processing Corp. v. American Maize-Products, Co.*, 840 F.2d 902, 906, 5 U.S.P.Q.2d 1788 (Fed. Cir. 1988) (where controversy is resolved subsequent to filing of complaint, actual controversy is removed and court was divested of jurisdiction). Without an actual case or controversy, the trial court was divested of jurisdiction. *Spectronics Corp. v. H.B. Fuller Co., Inc.*, 940 F.2d 631, 633-36, 19 U.S.P.Q.2d 1545 (Fed. Cir.), *cert. denied*, 502 U.S. 1013 (1991) (patent holder's "statement of non-liability" mooted case and court lost jurisdiction over declaratory judgment when actual controversy was removed); *Foster v. Hallco Mfg. Co., Inc.*, 947 F.2d 469, 479, 20 U.S.P.Q.2d 1241 (Fed. Cir. 1991) (Declaratory Judgment Act provides no independent basis for subject matter jurisdiction).

Absent Super Sack's claim of infringement, the trial court lacked subject matter jurisdiction to grant Chase's request for declaratory judgment. The existence of an actual case or controversy is an absolute jurisdictional prerequisite for declaratory judgments under 28 U.S.C. § 2201. *BP Chemicals Ltd. v. Union Carbide Corp.*, 4 F.3d 975, 977-78, 28 U.S.P.Q.2d 1124 (Fed. Cir. 1993); *Spectronics*, 940 F.2d at 633-36 (patent holder's "statement of non-liability" to plaintiff mooted case); *Grain Processing*, 840 F.2d at 905.

Moreover, an actual controversy must exist at all stages of review, not merely at the time the complaint is filed. *Grain Processing*, 840 F.2d at 905-06 (citing *Preiser v. Newkirk*, 422 U.S. 395, 401 (1975)). "The long established rule of law is that a declaratory judgment plaintiff must establish an actual controversy on the 'totality of the circumstances.'" *Spectronics*, 940 F.2d at 634 (quoting *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270, 272 (1941)). Appendix, p. 8a. The Federal Circuit has recognized a two-part test for determining justiciability with respect to declarations of patent rights and relationships. *BP Chemicals* at 978.[4]

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[4] Chase argues that the decision in *BP Chemicals* is wrong. However, Chase fails to offer any reason whatsoever why the decision in *BP Chemicals* should be limited exclusively to a declaratory judgment claim of non-infringement. Chase further argues that it created a case or controversy by simply filing its declaratory judgment action for invalidity, and that Super Sack has the burden to show there was no issue as to the validity of the patents-in-suit. Contrary to Chase's contention, this Federal Circuit correctly recognized that "a party seeking a declaratory judgment [still] has the burden of establishing the existence of an actual case or controversy." *Cardinal* at 1974 (citing Aetna Life Ins.) Appendix, p. 13a.

As stated in *BP Chemicals*:

> There must be both (1) an explicit threat or other action by the patentee, which creates a *reasonable* apprehension on the part of the declaratory plaintiff that it will face an infringement suit, and (2) *present* activity which could constitute infringement or concrete steps taken with the intent to conduct such activity.

Id. (Emphasis supplied).

Since Super Sack unconditionally agreed not to sue Chase for infringement of any of the claims of the patents-in-suit on Chase's then existing product line, there was no current or future apprehension by Chase that it would face claims of infringement of the patents-in-suit thereby eliminating any actual case or controversy in this action.

Furthermore, although Super Sack's covenant not to sue does not pertain to Chase's future acts, the Federal Circuit correctly held that there still is no justifiable controversy. First, "[t]he residual possibility of a future infringement suit based on Chase's future acts is simply too speculative a basis for jurisdiction over Chase's counterclaim for declaratory judgment of invalidity." Appendix, p. 12a. Second, Chase "never contended that it has already taken meaningful preparatory steps toward an infringing activity by planning to make a new product that may later be said to infringe." Appendix, p. 11a. Accordingly, the Federal Circuit correctly found that "[t]he only proper course for the trial court was to dismiss the case for lack of jurisdiction." Appendix, p. 12a.

In this action, Super Sack has both moved to dismiss its complaint with prejudice *and* unconditionally promised not to sue Chase in the future on the patents-in-suit. Thus, Super Sack is forever estopped by its counsel's statement of non-liability from asserting liability against Chase on its then existing product line. Accordingly, the case or controversy between these parties was removed, and the trial court was divested of subject matter jurisdiction over this action. *Spectronics*, 940 F.2d at 633 (covenant not to sue in the future removes any apprehension of suit).

B. Chase's Declaratory Judgment Counterclaim Does Not Exist Independent Of Super Sack's Claims of Infringement

In its petition, Chase argues that the Federal Circuit incorrectly interpreted this Court's decision in *Cardinal*. Petition, pp. 15-17. Chase argues that *Cardinal* supports the proposition that Chase's counterclaim exists independently of Super Sack's claims of infringement and therefore survives dismissal of Super Sack's complaint. *Cardinal* stands for no such proposition. In *Cardinal*, this Court examined the Federal Circuit's policy of *routinely* vacating declaratory judgments of patent invalidity following a determination of non-infringement of the patent.[5] *Cardinal*, 113 S.Ct. at 1974. Indeed, this Court stated: "the issue before us[,] therefore concerns the jurisdiction

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[5] This Court's decision in *Cardinal* relates to the vacating of decisions on validity after full trial on the merits and briefing and argument of the validity were on appeal – hardly the case here.

of an intermediate appellant court – *not* the jurisdiction of either a trial court or this Court." *Id.* (emphasis added). This Court continues by stating that "[i]n the trial court, of course, a party seeking a declaratory judgment has the burden of establishing the existence of an actual case or controversy." *Id.*

Unlike this action, in *Cardinal* a live controversy existed between the parties even after the determination of non-infringement. *Id.* at 1968. Since there was a continuing controversy urged by both parties because the defendant could still be sued on the patents-in-suit and the plaintiff held what it felt to be useless patents in light of related invalidity decisions, the court held the Federal Circuit's policy of automatically vacating declaratory judgments upon a determination of non-infringement to be improper and allowed the adjudication of the counterclaim. *Id.* at 1978. Therefore, *Cardinal* stands for no more than that the Federal Circuit has the power to hear declaratory judgments of patent invalidity after a determination of non-infringement *where there continues to exist an actual case or controversy.*

Cardinal is clearly inappliciable to the facts in this action. First, the issue in the instant action does not involve the power of an intermediate court to hear declaratory judgment counterclaims after a finding of non-infringement. More importantly, Chase has not demonstrated that an actual case or controversy exists in the absence of Super Sack's claims of infringement and the absence of any threat of suit in the future. Thus, no subject matter jurisdiction and dismissal was proper.

Next, Chase argues that the Federal Circuit's opinion is also contrary to this Court's decision in *Altvater v. Freeman*, 319 U.S. 359 (1943). Petition, p. 16. In *Altvater*, a live controversy existed separate and apart from the original cause of action, a license agreement involving an original issued patent. Here, defendants were manufacturing and selling additional articles claimed to fall under the reissue patent. Plaintiff demanded royalties and defendants paid royalties under protest on these additional articles. Because the controversy involved went beyond the original claim and beyond the original accused devices, this court was correct in finding that there was a justiciable controversy.

In its petition, Chase also cites selected excerpts from the dissent of Judge Nies from the Order declining the suggestion for rehearing in banc in the case of *In re Lockwood*, 50 F.3d 966, 968 (Fed. Cir. 1995) to support its proposition that Chase's counterclaim exists independently of Super Sack's claim of infringement. Petition, p. 15. However, in *In re Lockwood*, the sole issue on appeal was whether the patentee had a right to demand a jury on the issue of invalidity, after a finding of non-infringement.[6] Again, the excerpts were taken out of context and have nothing to do with the present issue.

Finally, Chase argues that the Federal decision is in direct contrast to the holding in the case of *Shelcore, Inc. v. Durham, Indus.*, 745 F.2d 621 (Fed. Cir. 1984). Petition, p.

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[6] The district court granted Defendant's Motion for Summary Judgment of non-infringement and struck the patentee's demand that the invalidity issue be tried by a jury.

18. *Shelcore* is clearly distinguishable on its facts. In *Shelcore*, this Court held that Shelcore could not unilaterally remove the validity issue by voluntarily dismissing with prejudice only *one* claim of one of the patents-in-suit, because Durham's counterclaim put validity of *all* the claims in issue. *Id.* at 624.[7] Thus, there remained a case or controversy. Unlike *Shelcore*, Super Sack has forever removed *all* claims of the patents-in-suit from issue. Thus, there was no controversy remaining after Super Sack's "non-liability statement."[8]

C. Chase's Amended Counterclaim Does Not Create a Case or Controversy

There was no case or controversy between Super Sack as to the non-infringement of the '796 and '652 patents, or the unenforceability of the '796 and '652 patents, based on Chase's charge of inequitable conduct (assuming inequitable conduct was ever an issue in this case).[9]

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[7] In *Shelcore*, Shelcore initially sued Durham for infringement of claims 1-13 of a utility patent and of a design patent. *Id.* at 623. During trial, Shelcore voluntarily dismissed with prejudice claim 13 of the utility patent, leaving the remaining claims of infringement at issue. *Id.*

[8] The Federal Circuit has held that there was no controversy remaining after patent holder's "non-liability statement," even though reissue patents involving the same subject matter were then pending. *Spectronics*, 940 F.2d at 636.

[9] In the Joint Status Report filed May 12, 1994, Chase made it clear that it has no interest in pursuing its Declaratory Judgment counterclaim for invalidity if Plaintiff did not assert the issue of infringement.

The Federal Circuit has recognized that the fact that "issues of invalidity and enforceability are raised in a declaratory judgment action does not change what is 'the claim'. The basis for maintaining a declaratory judgment action for invalidity [or enforceability] rests upon the existence of a case or actual controversy," cognizable in federal court. The act of obtaining an invalid patent alone creates no legal right to a remedy in another. *Foster*, 947 F.2d at 479. Indeed, this Court has recognized that fraud and inequitable conduct, like non-infringement and invalidity, are merely *defenses* to allegations of patent infringement, *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806 (1945) (inequitable conduct a defense to patent infringement under doctrine of unclean hands), even though they be dressed up in the garb of a declaratory judgment counterclaim. Thus, charges of inequitable conduct, like other patent invalidity defenses, disappear when the charge of infringement is removed. *Foster*, 947 F.2d at 479 (Declaratory Judgment Act provides no independent basis for subject matter jurisdiction); *Spectronics*, 940 F.2d at 635 (court loses jurisdiction over declaratory judgment when actual controversy is removed).

Given that Super Sack removed any actual controversy between the parties, the trial court was divested of subject matter over Chase's declaratory judgment claim. Accordingly, the Federal Circuit properly affirmed the trial court's dismissal of this action.

CONCLUSION

The Petition for Writ of Certiorari should be denied.

Respectfully submitted,

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No. 95-805

IN THE
Supreme Court of the United States
OCTOBER TERM, 1995

CHASE PACKAGING CORPORATION,
Petitioner,

v.

SUPER SACK MANUFACTURING CORPORATION,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITIONER'S REPLY BRIEF

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CHASE PACKAGING CORPORATION,

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PETITIONER'S REPLY BRIEF

INTRODUCTION

Respondent's attempt to point out asserted "mischaracterizations" in the Petitioner's Statement of the Case has resulted in a number of misleading statements.

This case has not been "essentially dormant" since 1989 as Super Sack claims. Eighteen motion papers were before the trial court when the case was dismissed (Appendix 14a-16a). Furthermore, during the period from 1990 to September, 1994, over 68 entries were added to the trial court's docket. This was not a "dormant" case.

Chase's Motion for Summary Judgment on the issues of non-infringement and patent invalidity was pending more than one year before Chase filed its Motion for an Order to Show Cause Why Defendant's Motion for Summary Judgment Should Not Be Granted ("Show Cause Motion"). Super Sack failed to assert any reason why the trial court should have denied Chase's Summary Judgment Motion on the issue of non-infringement, but rather filed its Motion to Dismiss based on the voluntary withdrawal of its complaint. Super Sack's motion was filed a mere one week following Chase's Show Cause Motion, no doubt because Super Sack had no defense to the Summary Judgment Motion. Until that time in the litigation, five separate trial dates had been set and canceled. While it is technically true that no actual trial date was then pending, no better characterization than "on the eve of trial" applies.

Contrary to Super Sack's statements in footnote 3 of its opposition brief, Chase filed its Bill of Costs as a prevailing party under Rule 54(d), after the Federal Circuit had rendered its opinion. Since costs are granted to a prevailing party under Rule 54(d), Super Sack's assertion that the trial court granted Chase's "terms and conditions" pursuant to Rule 41 is totally misleading and inaccurate.

ARGUMENT

I. This Court Should Grant the Petition to Clarify Whether a Complaint for Infringement and a Counterclaim for Invalidity Can Be Dismissed Without Following the Dismissal Requirements Set Forth in F.R.C.P. Rule 41.

Super Sack simply argues that since it voluntarily withdrew its complaint, there was no case or controversy, and thus, Chase's counterclaim should and could be dismissed.

Super Sack gives no basis for its simplistic approach. Super Sack never explains or argues how its complaint and Chase's counterclaim could be dismissed without following the procedures set forth in the Federal Rules of Civil Procedure which govern voluntary dismissals, Rule 41.

Super Sack cites six cases at pages 8 and 9 of its opposition brief to support its claim that its complaint and Chase's counterclaim should have been dismissed upon Super Sack's voluntary withdrawal of the complaint. None of these cases, however, supports an argument that Rule 41 of the F.R.C.P. is not to be followed upon the voluntary withdrawal of a complaint. None mentions Rule 41.

Under Rule 41, Chase's counterclaim could not have been dismissed.[1]

Nowhere in Super Sack's opposition brief does Super Sack make an effort to state or argue why Rule 41 is inapplicable in the instant case. In fact, Super Sack never mentions Rule 41 in its opposition brief. The Federal Circuit in its opinion, footnote #2, Appendix 6a, relies on little more than its desire to affirm the trial court to justify its refusal to apply Rule 41. This Court should grant the Petition to clarify how Rule 41 is to be applied, especially how it is to be applied in patent cases.

II. This Court Should Grant the Petition to Clarify Whether the Cardinal Case is Applicable to the Trial Courts.

Since the cases relied upon by Super Sack were decided before *Cardinal Chemical Co. v. Morton Int'l, Inc.*, 113 S.Ct.

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[1] Super Sack's complaint could have been dismissed under Rule 41 because the counterclaim for "invalidity" was an independent claim.

1967 (1993), they do not support Super Sack's position. The holding in *Cardinal* that "invalidity presents a claim independent of the patentee's charge of infringement" must be given some meaning in evaluating whether there is a "case or controversy" with respect to the issue of validity.

Super Sack argues that an actual controversy must exist at all stages and that because it voluntarily withdrew its complaint for infringement, the controversy as to validity evaporated or became moot upon the withdrawal of the infringement claim. Even assuming for argument that this may have been the interpretation of the trial and appellate courts prior to *Cardinal*, *Cardinal* has clearly restricted the lower courts' freedom to avoid the issue of patent invalidity.

As indicated above, *Cardinal* said "invalidity" is a claim independent of the claim of infringement. The Federal Circuit narrowly interpreted *Cardinal* and held in this case that *Cardinal* is directed only to the Federal Circuit and applies

> ". . .in the following–and only the following–way: an affirmed finding of noninfringement does not, without more, justify a reviewing court's refusal to reach the trial court's conclusion on invalidity." (Appendix 12a).

Such a narrow interpretation of *Cardinal* cannot be fairly extracted from this Court's opinion in *Cardinal.*

This Court should grant the Petition to clarify whether the *Cardinal* case and the statement made therein regarding the independence of the claim of invalidity is also applicable to the trial courts.

III. The Court Should Grant the Petition to Clarify the Question Whether Validity is a Claim Separate From That of Infringement.

Super Sack argues that Chase's counterclaim for invalidity does not exist independent of Super Sack's claim of infringement and that the *Cardinal* holding only applies to the Federal Circuit. If indeed that is the intended position of this Court, this Court should grant the Petition in order to clarify the following language in the *Cardinal* case:

> "Merely the desire to avoid the threat of a 'scarecrow' patent, in Learned Hand's phrase, may therefore be sufficient to establish jurisdiction under the Declaratory Judgment Act. If, in addition to that desire, a party has actually been charged with infringement of the patent, there is, **necessarily**, a case or controversy adequate to support jurisdiction of a complaint, or a counterclaim under the Act. In this case, therefore, it is perfectly clear that the District Court had jurisdiction to entertain Cardinal's counterclaim for a declaratory judgment of invalidity."
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> * * *
>
> "A party seeking a declaratory judgment of invalidity presents a claim independent of the patentee's charge of infringement." *Cardinal*, 113 S.Ct. at 1975. (Emphasis in the original).

The *Cardinal* opinion unequivocally states that the trial courts should entertain counterclaims for patent invalidity and that "invalidity" is a claim separate from the claim of infringement. The Federal Circuit has ignored this language in the opinion below. To follow the logic of the Federal Circuit would hold both the defendants and the trial court's docket

hostage to the whim of a patent-owner plaintiff and its at-will desire to pursue or withdraw its claim of infringement. This Court should grant the Petition to clarify whether the issue of invalidity is truly independent of the claim of infringement at the trial court level.

IV. The Court Should Grant the Petition to Resolve the Question of What Test must be Used in Determining Whether a Case or Controversy Exists With Respect to a Counterclaim of Invalidity.

Super Sack argues that the test for "case or controversy" with respect to the issue of invalidity is the two-prong test of the "threat of infringement" set forth in *BP Chems. Ltd. v. Union Carbide Corp.*, 4 F.3d 975 (Fed.Cir. 1993). This test was in fact used by the Federal Circuit in this case (Appendix 8a-12a) even though the complaint for infringement had been withdrawn.

Since the *Cardinal* case states that "invalidity" is a claim independent of the claim of infringement, the *BP Chems.* test is inapplicable in determining jurisdiction over validity. The proper inquiry is whether an issue of "invalidity" exists, not a test as to whether an issue of "infringement" exists. Why should a test directed to "threat of infringement" be used when the infringement claim has been withdrawn and an invalidity counterclaim remains, as was the case here? This Court should grant the Petition to clarify whether invalidity or the threat of infringement test is the proper test to be used in determining the existence of a "case or controversy" with respect to a declaratory judgment counterclaim for invalidity.

If the "threat of infringement" test is used to determine whether there is an issue as to invalidity for "case or

controversy" purposes, the result will be the routine dismissal of counterclaims for invalidity, contrary to the espoused directive of this Court that the "issue of validity" be litigated on public policy grounds, *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 113 S.Ct. 1967 (1993), *Blonder Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327 (1945).

CONCLUSION

For the foregoing reasons, the Petition for a Writ of Certiorari to the Federal Circuit should be granted.

Respectfully submitted,

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